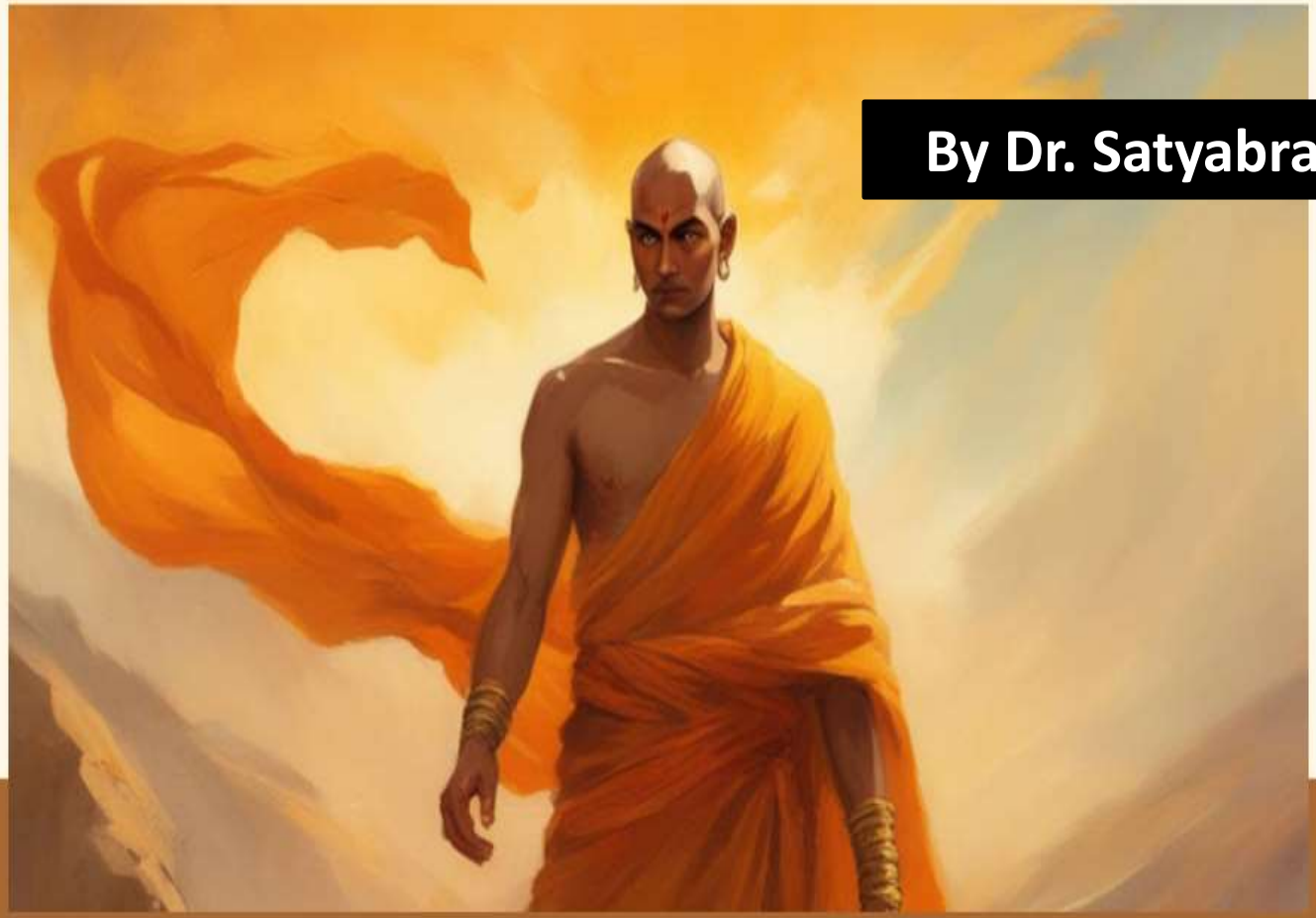
MANAGEMENT WITH CHANAKYA'S WAY!



By Dr. Satyabrata Dash

- **Learn from the mistakes of others... you can't live long enough to make them all yourselves.**
- **A person should not be too honest. Straight trees are cut first and Honest people are screwed first.**
- **Even if a snake is not poisonous, it should pretend to be venomous.**

Chanakya's Principles of Management

- Chanakya is known as the world's first economist, strategist and management guru. His management thoughts and ideas guided rulers and kings for centuries.
- His book Kautilya's Arthashastra and his 6000 sutras presents some of the key principles, guidelines and strategies for sound management and governance, which are relevant even in today's scenario and would be in future also.
- The construct for governance from his book also called 'saptangas' reveals the seven pillars of a successful kingdom. These seven pillars are applicable to present times also. With the help of these pillars, an organization can work efficiently and effectively.

Chanakya's Arthashastra

- Kautilya was a professor at Taxila University and later the prime minister of Chandragupta Maurya, the first great emperor of India. He is known as the Indian Machiavelli for his astute strategies and policies.
- **Content:** The book is a collection of 380 shlokas written in prose and divided into 15 sections. It covers a wide range of topics, including:
  - **Economics**: The ethics of economics and how to manage an efficient economy
  - **Statecraft**: How to run a state, including the duties and obligations of a king
  - **Military strategy**: How to wage war, including attacking disunited enemies and using secret agents to exploit divisions within a country
  - **Law and justice**: A code of civil and criminal law, including a penal code
  - **Foreign policy**: How to acquire territory through conquest
  - **Welfare**: How to redistribute wealth during a famine
  - **Cultural details**: Topics such as mineralogy, mining, agriculture, animal husbandry, and medicine

The first five Kautilya's sutras

- The first five Kautilya's sutras itself provides relevance on the foundations of management in organizations as follows:-

1. **Sukhasya Mulam Dharmah** – The Basis of Happiness Is Righteousness or Ethics
2. **Dharmasya Mulam Arthah** – The Basis of Righteousness or Ethics Is Resources
3. **Arthasya Mulam Rajyam** – The Basis of Resources Is Kingdom (Organization or Enterprise)
4. **Rajyamulam Indriyajayah** – Organization or Enterprise Is Rooted In Conquering the Senses
5. **Indriyajayasya Mulam Vinayah** – Conquering Organs Is Rooted In Training and Discipline

Seven Pillars for Business Success

- **SWAMI** – SWAMI means The King (The Leader). The leader is the visionary and the captain, the man who sets the vision and the direction. In present corporate world he is known as the Director, CEO, etc.
- **AMATYA** – AMATYA means The Minister (The Manager). The manager is the person who is the second-in-command. His job is to take the ship in the right direction to achieve the vision as set out by the leader.
- **JANAPADA** – JANAPADA means The Country (Market). Businesses exist to serve markets. Markets represent the area of operations. It is the market to whom one sells his product or service and from where revenue is generated.
- **DURGA** – DURGA means The Fortified City (Infrastructure). Infrastructure is the center of any organization. With the help of the infrastructure, central administrative work is done. Present times, it is both physical as well as digital.
- **KOSHA** – KOSHA means The Treasury (Finance). Finance is the lifeblood of any organization. Every organization must have a strong and well-managed treasury or finance department.
- **DANDA** – DANDA means The Army (Team). The Army comprises the team members. The team includes persons from lower section to upper level like executive, managers, the salesmen, the accountant, foremen, workers, even the driver and the peon.
- **MITRA** – MITRA means The Ally (Mentor). The Ally is the friend, philosopher and the guide, who guides and gives solution to problems. He works as the mentor.

Leadership Lessons from Chanakya

- **Hold people accountable**: Reward high performers and punish underperformers. This motivates the best performers and sets an example for others.
- **Be aware of your followers**: Study your followers' shortcomings and take steps to improve them.
- **Train the next generation**: Empower the next generation to be better than you.
- **Be a good decision maker**: Be bold in the face of adversity and setbacks.
- **Be honest**: A leader's foundation is built on honesty, truthfulness, and straight dealing.
- **Be self-disciplined**: Self-discipline is an important personal quality of a leader.
- **Anticipate the future**: Develop the ability to predict and anticipate the future.
- **Be aware of your needs**: Be aware of the needs, feelings, and motivations of those you lead.
- **Learn from others**: Learn from the mistakes of others.
- **Ask questions**: Before starting a task, ask yourself why you're doing it, what the result might be, and if you'll be successful.

Leadership qualities by Chanakya

- **Accountability**: Hold people accountable for their work, rewarding those who perform well and punishing those who underperform.
- **Decisive leadership:** Take prompt and firm decisions in the national interest.
- **Adaptability:** Be flexible and open to new ideas, and be willing to change your approach when necessary.
- **Self-discipline:** Self-administration should be the first priority.
- **Optimism:** Mix optimism with dynamism and energy.
- **Welfare:** The welfare of the people should be the ultimate goal of a leader.
- **Strategic thinking:** Chanakya believed that strategic thinking and planning were important in all aspects of life, including governance.
- **Rewarding performance:** Chanakya believed that rewarding those who perform well motivates them to continue doing their best.
- **Holding people accountable:** Chanakya believed that it was important to hold people accountable for their work, both good and bad.
- **Learning from mistakes:** Chanakya believed that past mistakes should be used as a learning experience.
- **Communication:** Chanakya believed that leaders should communicate properly on all occasions.
- **Diplomacy:** Chanakya believed that diplomacy was the hallmark of handling people, situations, and relationships effectively.
- **Effective governance:** Chanakya believed that his theories on good governance were important for doing away with corruption in society.
- **Decisiveness:** Chanakya believed that a good leader should be decisive.
- **Fairness:** Chanakya believed that a good leader should be just and fair, and always act in the best interests of their followers.

Chanakya's principles on leadership

- **Put the people first:** Chanakya believed that a leader's happiness comes from the happiness of their subjects. He believed that a leader should always put their subjects before themselves, and that every person in an organization matters.
- **Uphold ethics and morality:** Chanakya believed that a leader should uphold moral and ethical values to gain the trust and support of the people.
- **Follow the law of Dharma:** Chanakya believed that a leader should follow Dharma, which is the law of ethics, and punish the wicked while ensuring the innocent are not harmed.
- **Be a role model:** Chanakya believed that a leader should be a role model for the people through their character.
- **Avoid autocratic behavior:** Chanakya believed that a leader should not be autocratic, and that people should follow the leader.
- **Avoid pride:** Chanakya believed that a leader should not be overwhelmed by pride, even when receiving high honors.
- **Avoid unrighteousness:** Chanakya believed that a leader should avoid unrighteousness and uneconomical transactions.

Principles of governance of a state from Chanakya

- **Strong defense:** Chanakya emphasized the importance of a strong defense system.
- **Upholding dharma:** Chanakya stressed the importance of righteousness as a guiding principle for administrators.
- **Decisive leadership:** Chanakya believed that administrators should make prompt and firm decisions in the national interest.
- **Strong financial base:** Chanakya believed that a ruler must have a strong financial base to maintain the stability of the state.
- **Ethics and morality:** Chanakya believed that a leader must uphold moral and ethical values to retain the support and trust of the people.
- **Vision, mission, and motivation:** Chanakya advised the ruler to manage the kingdom on the principles of "Prabhu Shakti" (vision), "Mantra Shakti" (mission), and "Utsah Shakti" (motivation).
- **Saptanga:** Chanakya defined the concept of Saptanga, or the seven pillars that are required to build an effective and strong kingdom.

Principles of governance of a state

- **Leadership and Governance**: The "Arthashastra" guides effective leadership and governance. It emphasizes the importance of a strong and ethical leader who serves the people's and the state's well-being.
- **Economic Management**: Chanakya's work delves into economic principles, taxation, trade policies, and wealth management. It underscores the significance of a stable economy for the prosperity of a nation.
- **Foreign Policy**: The text offers insights into diplomacy, alliances, and strategies for dealing with foreign powers. It highlights the importance of maintaining a strong defense and securing the state's interests.
- **Ethics and Morality**: Chanakya emphasizes the importance of ethical conduct and moral values in both leadership and personal life. He believed that a leader's integrity and virtue were essential for the success and stability of a state.
- **Intelligence and Espionage**: The "Arthashastra" discusses the role of spies and intelligence gathering in maintaining security and making informed decisions. It underscores the need for accurate information in governance.
- **Conflict Resolution**: The text offers strategies for conflict resolution, negotiation, and the use of force when necessary. It advocates for a balance between diplomacy and military strength.
- **Public Welfare**: Chanakya believed that the people's welfare should be any government's primary focus. He stressed the importance of policies that benefit the majority.
- **Flexibility and Adaptability**: The "Arthashastra" recognizes the ever-changing nature of politics and economics. It advises leaders to be adaptable and open to adjusting policies as circumstances evolve.
- **Strategy and Planning**: Chanakya's work is rich in strategic thinking and planning. It emphasizes the importance of careful deliberation and foresight in decision-making.
- **Education and Knowledge**: Education is a recurring theme in Chanakya's writings. He believed in the power of knowledge and education to empower individuals and strengthen a nation.
- **Unity and Harmony**: The text promotes the idea that a nation can thrive when its citizens unite and work together harmoniously. It discourages division and discord.
- **Long-Term Vision**: Chanakya's teachings encourage leaders to have a long-term vision for the state's prosperity and security, rather than focusing solely on short-term gains.

Economic Thought of Kautilya

- **Just price:** Kautilya believed that the king should not arbitrarily fix prices, but instead consider the supply and demand for a product. He advocated for a "just price" that would allow businesses a reasonable profit.
- **Wealth:** Kautilya believed that wealth was the most important thing, and that it included money, commodities, property, labor, and forest produce. He believed that wealth was beneficial if it was acquired for the sake of a good cause, such as charity.
- **Role of the king:** Kautilya believed that the king's main duty was to keep the people happy. He believed that the king should be industrious, and that the people would become entrepreneurs if the king was.
- **Well-regulated capitalism:** Kautilya was the first economist to discuss well-regulated capitalism. He believed in a profit-oriented system, and opposed the exploitation of the poor.
- **Importance of the state:** Kautilya believed that the state had a crucial role in the material well-being of the nation and its people. He believed that the state should provide loans and advances to cultivators, and that land should be properly cultivated.

Development of Infrastructure

- **Roads**: Kautilya believed that roads were important for trade, defense, and general transportation. He suggested building roads around villages, forts, and farms, and classified roads into different types, including the King's way, provincial roads, and high ways.
- **Water routes**: Kautilya emphasized the importance of river and sea traffic for trade.
- **Irrigation systems**: Kautilya promoted the construction of irrigation systems to increase agricultural output.
- **Storage facilities**: Kautilya promoted the construction of storage facilities.
- **Fiscal discipline**: Kautilya believed in proactive economic planning, including resource management and fiscal discipline. He also believed in fair taxation of agricultural produce.

Demand and supply

- **Price determination:** A king should not set a product's price without considering supply and demand. A price that doesn't consider these factors may not be just and may not maximize the welfare of consumers and producers.
- **Profit ceiling:** Kautilya set a profit ceiling for businessmen, allowing them to make between five and ten percent of their profits.
- **State intervention:** In the event of overproduction, the state should centralize sales to prevent prices from falling below a price floor.
- **Pricing parity:** Kautilya suggested pricing parity to eliminate conflict between state-owned and privately owned businesses.
- **Factors to consider:** When setting prices, the state should consider the cost of manufacturing, the supply-to-demand ratio, and a suitable amount of profit.

Public finance

- **Importance of public finance:** Kautilya believed that public finance was important to the national economy and that the treasury should receive the greatest attention.
- **Taxation:** Kautilya believed that taxation was an important source of revenue for the state. He believed that taxes should be levied according to the ability to pay and not be a burden on the public. He also believed that taxes should be levied once a year.
- **Types of taxes:** Kautilya believed that taxes should be levied on commodities produced in the country, the capital, and imports and exports. He also believed that taxes should be imposed on luxuries and other items that were not beneficial to the people.
- **Taxation on agriculture:** Farmers who cultivated wet lands that produced abundant crops had to pay one-quarter or one-third of their produce as tax.
- **Taxation on other activities:** Industrialists and businessmen were taxed at a rate of 10% to 25%. Taxes could be paid in cash, through labor, or in kind (produce).
- **Tax exemptions:** Some activities were exempt from taxes, including agriculture on privately owned land during famine, epidemic, or settlement into new pastures. New public projects like irrigation and water works were also exempt from taxes for five years.
- **Other sources of revenue:** The state also collected revenue from income from state controlled activities, trade, fees and service charges, and fines.

The Economic system

- **Public works:** Kautilya advocated for public works projects like roads, irrigation, and power routes to develop the economy and create employment.
- **State intervention:** Kautilya believed the state should intervene in the economy to ensure stability and prosperity.
- **Agriculture:** Kautilya emphasized the importance of agriculture, and promoted fair taxation of agricultural produce.
- **Rural development:** Kautilya invested in rural development and construction of storage facilities and irrigation systems.
- **Mixed economy:** Kautilya divided industries into two groups based on ownership, with the state covering some important industries and the private sector covering others.
- **Treasury:** Kautilya believed the treasury was important, and emphasized the need to accumulate wealth. He also described the treasury as the Arthakosh, and the Chancellor as the official in charge of it.
- **Taxation:** Kautilya described the different sources of revenue for the state, and the taxes to be collected.

Welfare of State

- **Welfare as a right**: Kautilya believed that welfare was a right of citizens, not a matter of charity.
- **Holistic well-being**: Kautilya emphasized the importance of the state's economic prosperity, social order, and cultural progress.
- **Fair taxation**: Kautilya advocated for fair taxation of agricultural produce.
- **Efficient administration**: Kautilya believed in efficient administration and resource management.
- **Strong legal system**: Kautilya believed in a strong legal system and an efficient police force to maintain law and order.
- **Protection from external threats**: Kautilya believed in defending the state from external threats through diplomacy, military build-up, and effective defense tactics.
- **Role of society**: Kautilya believed that society was sovereign and the state was its servant.
- **Subordination of self-interest**: Kautilya believed that individuals, from the king to the humblest citizens, should subordinate their self-interest.
- **Rural development**: Kautilya believed in investing in rural development and constructing transportation networks, storage facilities, and irrigation systems.

Dignity of Labour

- **Wage regulation:** Kautilya believed that wages should be adequate and paid in a variety of ways, including daily, weekly, monthly, or upon completion of a task. He also believed that workers should be paid three times their wage.
- **Working conditions:** Kautilya emphasized the importance of proper working conditions and training for laborers. He also believed that laborers should be entitled to leave in certain circumstances.
- **Labor classification:** Kautilya classified laborers into categories such as slaves, bonded laborers, unpaid laborers, casual laborers, regular workers, and self-employed.
- **Labor discipline:** Kautilya established a code of discipline for labor that included penalties for those who refused to work after receiving wages.
- **Labor contracts:** Kautilya believed that workers and employers could enter into written contracts.

Agriculture

- **Land tenure:** The state owned land and distributed it to different classes of people, but private land ownership was also recognized.
- **Labor:** Landowners should anticipate labor needs before sowing and employ slaves, laborers, and prisoners to sow the seeds on time.
- **Sowing:** Timely sowing is important for high yields, especially for rainfed crops.
- **Rainfall:** For rainfed crops, a rainfall of 16 dronas (one drona = 40 mm to 50 mm) is essential for good yields.
- **Crop distribution:** Crops should be sown according to the changing seasons.
- **Crop selection:** Rice crops require less labor than vegetables, which require less labor than sugarcane.
- **Crop location:** Cucurbits grow well near rivers, while long-pepper, sugarcane, and grapes grow well in soil with a good water profile.
- **Seed treatment:** Seeds should be treated differently depending on the type of seed. For example, grain seeds should be exposed to heat and mist for seven nights, while kosi seeds should be treated for three to five nights.

Varta

- The ancient thinkers have, most commonly used the term “Varta” (Economics) which means the science of national economy.
- Kautilya included agriculture, animal husbandry and trade in Varta. If it was destroyed, the world would be lifeless.
- It was Kautilya, who replaced the term Varta by Arthashastra, a combination of economics, political science, ethics, and military science.

Forest

- **Forestry:** Kautilya believed that forests were a primary source of revenue and economic importance. He advised kings to establish forests near villages to make them more attractive, and to protect forests and animals.
- **Forest types:** Kautilya described different types of forests, including elephant forests, produce forests, and forests for deer. He also classified land into forests, villages, mountains, dry lands, and more.
- **Forest management:** Kautilya prescribed punishments for harming animals and plants, and for causing pollution. He also mandated the appointment of supervisors to protect wildlife, care for domestic animals, and regulate grazing.
- **Forest and society:** Kautilya's ideas about forests differed from Vedic texts and Puranas, which portrayed forests as a place for evil-doers.

Mineral resources

- **Types of mines:** Kautilya believed that the best mines were those that were easily accessible, produced rich ores, and could be operated at a low cost. He also preferred large mines over small mines, even if the large mines produced lower value products, because they could be sold continuously.
- **Minerals used:** Kautilya's Arthashastra mentions a variety of minerals, including:
  - **Pigments**: Anjan (antimony sulphide), manahsil (red arsenic sulphide), haritala (yellow arsenic sulphide), hinguluka (mercuric sulphide), kastsa (green iron sulphate), and sasyaka (blue copper sulphate)
  - **Metallic ores**: Kautilya refers to metallic ores as dhatu of iron (Tiksnadhatu), copper, and lead
  - **Precious stones**: Kautilya describes diamonds, rubies, pearls, and corals as desirable stones
- **Mining operations:** Kautilya believed that mining operations could only be carried out with a government license.
- **Royalties:** Kautilya's policy for determining mineral royalties was to charge a fixed percentage of the output or a fixed rent.

Value and trade

- **State involvement:** Kautilya believed that the state should play a strong role in the economy, including actively engaging in trade. The state should also regulate trade, including setting taxes on traded goods.
- **Economic growth:** Kautilya believed that economic growth and prosperity could be achieved through fair taxation, encouraging trade, and promoting agriculture.
- **State monopoly:** Kautilya believed that the state should have a monopoly on the production of certain goods, such as alcoholic drinks. The state should also strictly control trade in certain goods, such as gold, silver, and precious stones.
- **State-owned land:** Kautilya believed that the state should own all lands, forests, and water resources.
- **Society over the individual:** Kautilya believed that society should be valued above individual interests.
- **Money as a means:** Kautilya believed that money was only valuable as a means to acquire goods, and not for its own sake.

Industrial policy

- Industrial activity of the state given considerable attention is textiles. This is not described as a state monopoly by the Arthashastra, which also refers to private production.
- However, the state was expected to engage in production of textiles on an extensive scale, and to maintain strict control and supervision on that part of the industry that was in private hands.

Social security

- **Welfare state:** Kautilya believed that the state should provide welfare to its citizens, including the poor, unemployed, aged, and infirm. He believed that welfare was a right of citizens, not a matter of charity.
- **Poverty removal:** Kautilya believed that poverty led to greed, disaffection, and eventually rebellion. He recommended that the king take action to prevent impoverishment and disaffection.
- **Tax revenue:** Kautilya believed that tax revenue was the only source for building infrastructure, raising an army, and caring for the poor and sick. He also believed that the king should pay attention to preventing tax evasion and spending tax revenue on productive projects.
- **Female labor:** Kautilya recommended female labor for occupations such as husking, grinding, and winnowing.
- **Pension schemes:** Kautilya mentioned pension schemes such as educational pension and public poor relief.

Income and employment

- Kautilya emphasized on the production by masses of mass consumption goods to ensure adequate income and employment. He pointed out that agriculture, cattle rearing small industries, trade and services are the main avenues for employment.
- Kautilya emphasized on public works policy to build forts, roads, water, routes, irrigation and canal works, stores, warehouses, armories etc. Kautilya advocated that development of these sectors would solve the problem of unemployment of the country
- **Public works:** Kautilya emphasized the importance of public works projects like building roads, forts, water, irrigation, and canals.
- **Small-scale industries:** Kautilya recommended promoting small-scale industries to provide employment and make villages self-sufficient.
- **Cooperative farming:** Kautilya favored cooperative farming, spinners cooperative, and cooperative cattle farming to achieve self-sufficiency.

Military strategy

- **Attack when the enemy is weak:** Chanakya believed that when an enemy king is in trouble, his subjects are oppressed, and he is disunited, then it is time to attack.
- **Balance the three pillars of war:** Chanakya believed that war is based on three pillars, and that these pillars must be in balance for success.
- **Address the root cause:** Chanakya believed that it was better to attack the root cause of an insurgency, such as social or economic distress, rather than using armed forces.
- **Avoid indiscriminate bombing:** Chanakya believed that indiscriminate bombing was counterproductive.
- **Prioritize internal security:** Chanakya believed that internal security and stability were the most important aspects of defending a state.
- **Use a network of spies:** Chanakya proposed a network of spies and agents to maintain internal and external security.
- **Keep the ruler informed:** Chanakya suggested that the secret service should keep the ruler informed of developments within and outside the empire.
- **Know your opponent:** Chanakya believed that it was important to understand the strengths and weaknesses of your opponent.